

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 AGRE-00 /078 W
-----080704Z 106506 /11

R 071142Z APR 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2521
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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PASS STR

E.O. 11652: NA
TAGS: ETRD IN
SUBJECT: GSP: FIRST YEAR REVIEW

REF: STATE 067507

1. IMPACT OF GSP. OF THE DOLLARS 138.3 MILLION IN INDIAN GSP ITEMS
EXPORTED TO THE US IN 1976, GOODS WORTH DOLLARS 73.6 MILLION WERE
WELIGIBLE
FOR DUTY FREE TREATMENT. HOWEVER, THIS LATTER FIGURE REPRESENTS
ONLY ABOUT 10 PERCENT OF TOTAL INDIAN EXPORTS TO US LAST YEAR
AND SLIGHTLY
OVER ONE PERCENT OF TOTAL INDIAN EXPORTS. INCREASE IN VALUE
OF 1976 GSP ITEMS ELIGIBLE FOR DUTY FREE TREATMENT WAS OVER
DOLLARS 30 MILLION (COMPARED TO 1975), SIGNIFICANT IN PERCENTAGE
TERMS BUT MUCH LESS SO IN OVERALL TERMS. MOST IMPORTANT NON-
TRADITIONAL EXPORTITEMS REGISTERING INCREASES IN 1976 AND
OBTAINING GSP TREATMENT WERE FERROMANGANESE, FERROSILICON,
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JEWELRY AND PNEUMATIC TIRES.

2. USE OF GSP. IN 1976, 83 PERCENT OF INDIAN GOODS ELIGIBLE FOR
GSP TREATMENT ENTERED US DUTY-FREE. AS WE UNDERSTAND IT, THIS
IS BETTER-THAN-AVERAGE PERFORMANCE. WE ARE NOT SURE OF REASONS
WHY OTHERWISE ELIGIBLE PRODUCTS DID NOT RECEIVE GSP BENEFITS
AND MINISTRY OF COMMERCE IS JUST BEGGINING TO FOCUS ON THIS

MATTER IN ORDER TO MAKE EVEN GREATER USE OF GSP IN FUTURE.

3. GOI REACTIONS. MINISTRY OF COMMERCE HAS BEEN SOMEWHAT AMBIVALENT ABOUT US GSP SCHEME, WITH SEVERAL OFFICIALS EXPRESSING SKEPTICISM ABOUT ACTUAL BENEFITS TO INDIA. ALSO, MOC OFFICIALS HAVE RAISED SEVERAL OBJECTIONS TO OUR GSP SCHEME: 1) A NUMBER OF INDIAN PRODUCTS GET GSP BENEFITS ONE YEAR AND LOSE THEM THE NEXT BECAUSE OF 50 PERCENT COMPETITIVE NEE RESTRICTIONS (GOI WOULD LIKE AN UPPER LIMIT, SAY DOLLARS 10 MILLION, UNDER WHICH ALL ITEMS ENTERING US SHOULD OBTAIN DUTY FREE TREATMENT); 2) PARTICULAR ITEMS KEPT OUT FOR GSP TREATMENT HAVE TOO SMALL AN EXPORT VALUE TO THE US AND THUS BECOME INELIGIBLE UNDER 50 PERCENT LIMIT; AND 3) LIST OF GSP ITEMS SHOULD BE BROADENED. OF THE 56 ITEMS SUBMITTED BY GOI LAST NOVEMBER FOR ADDITION TO GSP, ONLY ONE WAS APPROVED.

MOC IS IN PROCESS OF DRAWING UP FOR OUR CONSIDERATION SMALLER LIST BASED ON INDIAN PRIORITY CONCERNS. MOC HAS ALSO BEGUN TO STUDY 1976 COMPUTER LIST OF INDIAN GSP EXPORTS TO US WITH A VIEW TO IDENTIFYING AREAS OF COMPARATIVE ADVANTAGE FOR INDIA. HOWEVER, SEVERAL MOC OFFICIALS HAVE EXPRESSED NEED FOR MARKET STUDIES IN US OF PARTICULAR PRODUCTS IN ADDITION TO EXAMINATION OF GSP LIST.

4. PRIVATE SECTOR REACTIONS. OUR THREE CONSULATES HAVE REPORTED TO US VARIOUS PRIVATE SECTOR VIEWS. IN GENERAL, PRIVATE EXPORTERS BELIEVE THAT GSP HAS BEEN BENEFICIAL IN ENCOURAGING INDIAN EXPORTS TO THE US, BUT THAT THE FULL BENEFITS OF THE PROGRAM HAVE NOT YET BEEN REALIZED. INDIAN EXPORTERS ARE CRITICAL OF THE 50 PERCENT LIMITATION AND THE FACT THAT GSP DOES NOT INCLUDE A LIMITED OFFICIAL USE

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WIDE RANGE OF PRODUCTS WHICH INDIA IS MOST CAPABLE OF EXPORTING. SOUTHERN INDIAN EXPORTERS HAVE POINTED OUT THAT HIGHER TRANSPORTATION COSTS FROM INDIA WILL WIPE OUT THE ZERO DUTY TREATMENT OR IT WILL BE ABSORBED BY US IMPORTERS. PRESIDENT OF EASTERN REGIONAL COUNCIL OF INDO-AMERICAN CHAMBER OF COMMERCE (IACC) SAID THAT LACK OF KNOWLEDGE BY LOCAL SMALL AND NEW EXPORTERS CONCERNING GSP PROCEDURES, AND IN SOME CASES INABILITY OF EXPORTERS TO MEET 35 PERCENT VALUE ADDED REQUIREMENTS, RESTRICTED GSP BENEFITS. EMBASSY HAS ASKED PRESIDENT OF IACC FOR REACTIONS TO GSP, AND WE WILL REPORT FURTHER WHEN HIS RESPONSE IS RECEIVED. SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE05006
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770122-0996
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770478/aaaacpqa.tel
Line Count: 109
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bcc1c9a8-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 67507
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2868415
Secure: OPEN
Status: NATIVE
Subject: GSP: FIRST YEAR REVIEW
TAGS: ETRD, IN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/bcc1c9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009